

## Message Text

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64

ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 SS-20 NSC-10 L-03 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 CIEP-02 SPC-03 STR-08 TRSE-00 LAB-06 SIL-01

OMB-01 PA-04 PRS-01 USIA-15 INT-08 DRC-01 /180 W

----- 126608

R 141730Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6022

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMCONSUL MILAN

USMISSION GENEVA

USMISSION OECD PARIS

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DEPT PASS COMMERCE

OECD FOR COOK

E.O. 11652: NA

TAGS: EIND, ETRD, EEC, OVIP (COOK, GARY)

SUBJECT: US-EC STEEL SCRAP CONSULTATIONS

REF: (A) STATE 222337

(B) EC BRUSSELS 6107

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1. SUMMARY: THE US TEAM, LED BY COMMERCE DEPUTY ASSISTANT SECRETARY GARY COOK, AND THE EC COMMISSION GROUP, LED BY LESLIE FIELDING, CONDUCTED CONSULTATIONS ON NOVEMBER 13 ON US STEEL SCRAP EXPORTS. THE COMMISSION URGED THAT IF EXPORT CONTROLS ARE NECESSARY IN 1974 THE US ALLOCATE ITS EXPORTS ON A HISTORICAL BASIS AND THAT IT ESTABLISH A GLOBAL QUOTA FOR THE MEMBER COUNTRIES OF THE COMMUNITY RATHER THAN SEPARATE NATIONAL QUOTAS. THE COMMUNITY REPEATED ITS ESTIMATES THAT IT WOULD NEED 1,220,000 TONS FROM THE US. THE US SIDE SAID THAT DECISIONS WERE LIKELY IN THE NEXT TWO WEEKS AND THAT THE US WOULD ATTEMPT TO NOTIFY THE EC IN ADVANCE OF ANY PUBLIC ANNOUNCEMENT. END SUMMARY.

2. ON NOVEMBER 13 THE US AND THE EC COMMISSION HELD CONSULTATIONS ON STEEL SCRAP. COMMERCE DEPUTY ASSISTANT SECRETARY COOK LED THE US SIDE. HE WAS ACCOMPANIED BY MIKE DOYLE FROM COMMERCE AND TWO MISSION OFFICERS. LESLIE FIELDING OF EXTERNAL RELATIONS LED THE EC COMMISSION SIDE, WHICH INCLUDED JOHANNES PETRICK OF INDUSTRIAL AFFAIRS AND SEVERAL OTHER OFFICERS.

3. COOK BEGAN BY QUESTIONING THE COMMISSION ON ITS STEEL SCRAP NEEDS FOR 1974. THEY DESCRIBED AS "HONEST" AND "UNWATERED" THEIR ESTIMATE THAT THEY WOULD NEED 1,220,000 SHORT TONS FROM THE US. PETRICK SAID THAT OF THE 1,220,000 TONS, ITALY WOULD NEED 770,000 SHORT TONS AND THE UK 330,000 SHORT TONS, FRANCE 55,000 SHORT TONS, WITH THE REMAINDER FOR THE OTHER MEMBER STATES.

4. COOK SPELLED OUT TO THE COMMISSION THE PROBLEM THE US IS FACING IN 1974. HE SAID THAT DOMESTIC DEMAND FOR PURCHASES SCRAP IS ESTIMATED AT 47-48 MILLION SHORT TONS COMPARED WITH ESTIMATED DOMESTIC CONSUMPTION IN 1973 OF 45 MILLION SHORT TONS. EXPORT DEMAND ESTIMATES ARE 16 MILLION SHORT TONS. THE TOTAL ESTIMATED DEMAND OF 63 MILLION SHORT TONS IS FAR BEYOND ESTIMATED CONSUMPTION OF PURCHASED US STEEL SCRAP IN 1973 OF 57 MILLION SHORT TONS, AN ALL TIME RECORD. HE SAID THAT THERE IS A SERIOUS QUESTION WHETHER EVEN 57 MILLION LIMITED OFFICIAL USE

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.SHORT TONS CAN BE COLLECTED IN 1974, AS SUPPLY ELASTICITIES DO NOT SEEM LARGE AND SHORTAGES ARE SHOWING UP. COOK CONCLUDED BY SAYING THAT ALTHOUGH WE DO NOT LIKE IT, WE MAY HAVE TO IMPOSE EXPORT CONTROLS IN 1974. HOWEVER, HE EMPHASIZED THAT THE US HAS NOT YET MADE THIS DECISION.

5. THE COMMISSION EXPRESSED THE HOPE THAT THE US WOULD NOT CONTINUE THE CONTROLS INTO 1974. HOWEVER, SHOULD

THE US DECIDE TO DO SO, THE COMMISSION STRONGLY RECOMMENDS THAT THE US BASE ITS ALLOCATIONS ON A HISTORICAL PERIOD, GRANTING TO THE EC A SHARE OF US EXPORTS EQUAL TO ITS SHARE IN PAST YEARS. ON THE UNDERSTANDING THAT 1973 WOULD NOT BE INCLUDED IN THE BASE YEAR THEY SAID THAT EITHER A 2-,3- OR 5-YEAR BASE PERIOD ENDING IN 1972 WOULD BE ACCEPTABLE. THE LEAST ADVANTAGEOUS BASE, A THREE-YEAR BASE, WOULD STILL GIVE THEM ALMOST THEIR TOTAL ESTIMATED NEEDS FROM THE US EVEN IF TOTAL US EXPORTS ARE LIMITED OT 10 MILLION TONS. THEY ALSO BELIEVED THAT A HISTORICAL BASIS WOULD BE A SATISFACTORY MEANS OF ALLOCATING AMONG DIFFERENT QUALITIES OF SCRAP. MEMBER COUNTRIES EXPECT TO NEED IN 1974 APPROXIMATELY THE SAME QUALITIES OF SCRAP THAT THEY HAVE BOUGHT IN PAST YEARS.

6. THE COMMISSION STATED THAT IT ALSO HOPED THAT US WOULD ESTABLISH ATGLOBAL EC QUOTA, RATHER THAN SEPARATE NATIONAL QUOTAS FOR THE MEMBER STATES. SHOULD THE US DO SO THE EC WOULD MAKE ITS OWN DIVISION AMONG MEMBER STATES, PROBABLY ON THE BASIS OF THIER DEMAND ESTIMATES IN PARAGRAPH 3. (SUBSEQUENT TO THE MEETING THE MISSION CHECKED AGAIN WITH THE COMMISSION ON THIS POINT AND WAS ASSURED THIS WAS THE COMMISSION POSITION.)

7. COOK ASKED THE COMMISSION IF THERE WERE OTHER CONSIDERATIONS REGARDING ALLOCATIONS AND THE ONLY THOUGHT WAS THAT IT WOULD BE HELPFUL IF THE ALLOCATED SCRAP BE DELIVERED EARLY IN THE YEAR. COOK POINTED OUT THAT GIVEN THE SITUATION, SPEEDED UP SHIPMENTS ARE MOST UNLIKELY.

8. COOK TOLD THE COMMISSION THAT THE ITALIAN CONTRACTS LIMITED OFFICIAL USE

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PLACED AFTER JULY 1, 1973, WOULD NOT BE SPECIFICALLY AUTHORIZED UNDER THE 1974 QUOTAS. THE COMMISSION EXPLAINED THAT AS OF APRIL 1973 THE BRITISH CANNOT FREELY EXPORT STEEL SCRAP TO THIRD COUNTRIES BUT ARE SUBJECT TO EC EXPORT CONTROLS. (SOME MEMBERS OF THE COMMISSION DELEGATION WERE NOT SURE ON THIS POINT).

9. COOK CONCLUDED THE MEETING BY TELLING THE COMMISSION THAT THE US HOPED TO REACH A DECISION ON THE 1974 PROGRAM BY NOVEMBER 23. HE WOULD ATTEMPT TO INFORM THE EC OF THE DECISION PRIOR TO THE PUBLIC ANNOUNCEMENT.

10. THE COMMISSION EXPRESSED ITS STRONG APPRECIATION TO MR. COOK FOR COMING TO BRUSSELS TO HANDLE THE CONSULTATIONS AND FOR GIVING THE EC A CHANCE TO EXPRESS

ITS VIEWS PRIOR TO THE DECISIONS ON THE 1974 PROGRAM.

11. THIS MESSAGE WAS DRAFTED AFTER COOK'S DEPARTURE.GREENWALD

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## Message Attributes

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